



PRELIMINARY BUDGET PRESENTATION FY 2012-2013

May 22, 2012



Presentation Agenda

- Background
- Economic Outlook
 - California
 - National City
- Significant Accomplishments
- City Budget Overview
 - General Fund Budget
- Capital Improvement Projects (CIP) Budget
- Successor Agency Budget (CDC-RDA)
- Preview of Fiscal Year 2013-2014
- Next Steps
- City Manager Closing Comments & Recommendations
- Community Input
- City Council Comments & Direction



Background

- In 2004, City Council priorities were public safety, technology, fiscal clarity, community engagement and image
- In 2005, City Council added overarching goal of fiscal sustainability with focus on General Fund
- In 2006, National City reached a severe financial fork in the road – survive or thrive was the question
 - Citizens and businesses responded by supporting a temporary sales tax of 1%



Background

- In 2007, City completed and implemented 5-Year Strategic Plan – as a result, National City is a more vibrant and safer place
- In 2008, after four consecutive years of saving money, City built contingency reserves to a high of \$9 million from \$4.2 million in 2005
- In 2009, with economy heading downward and costs escalating, City used \$1.5 million in contingency reserves to balance budget

Background

- In 2010, staff provided CARE ideas, financial trending and short-term recommendations to close FY 2009-10 estimated budget gap of \$3.3 million (at mid-year)
- In 2011, \$4.5 million budget deficit closed in part by operational reductions, voluntary separation program and slightly higher than projected revenues. Contingency reserves were not needed
- With this background, tonight we are presenting a preliminary budget for FY 2012-13



Economic Outlook

Alfredo Ybarra

California's Economic Outlook

- Economy improving but at a very slow pace
- The housing market is recovering slowly
 - Home sales have increased
 - Notices of default have declined
 - The median sales price of existing single family homes is up 8.4%
- The recovery of jobs lost during the Great Recession is forecasted for 4th quarter of 2015 (previous forecast 2nd quarter of 2016)

Governor's May Budget Revision

- Estimates a budget deficit of \$15.7B, up from the original projection of \$9.2B
 - Prior revenue forecast was too high (\$4.3B)
 - Higher costs to fund schools (\$2.4B)
 - Federal government and Courts blocked proposed budget cuts (\$1.7B)
- Assumes passage of the Governor's November 2012 Tax Initiative
 - Estimated to bring in approximately \$8.5B
 - Temporarily increases tax rates on highest income Californians
 - Temporarily increases Sales and Use Tax rate by 0.25%

Governor's May Budget Revision

- Legislative Analyst's Office reports there may be approximately \$1B less in revenue
 - Assumes \$1.4B in monies left from defunct redevelopment agencies
 - Failed to recognize legal obligations of former RDAs
- State's budget problems historically effect local government negatively

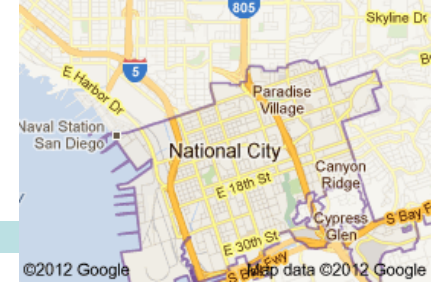
Governor's May Budget Revision

- Local impact will be seen in Tax Increment and Low/Mod Housing funding
 - “Creating a framework to transfer cash assets previously held by redevelopment agencies to cities, counties and special districts to fund core public services. Assets transferred to schools will offset General Fund costs.” (savings of \$1.4B)

From the Governor's Budget May Revision

- National City impacts are uncertain due to ROPS not being certified by County/State

National City Today



- Weathering worst economic climate since Great Depression
- Clean financial audits of City, CDC and Federal Awards
- City's Standard & Poors Rating is A
- CDC's Standard & Poors Rating is A-
- Limited General Fund Debt
- Continuous review of operating costs and seeking revenue enhancements

Unemployment Rates

- U.S. - 8.1%
- California -10.9% (lowest mark in 3 years)
- 2012-13 California rates expected to decline below 10%
- San Diego County – 8.7% (lowest mark in 3 years)
- National City -18.2%

(All figures are as of April, 2012)

National City Today

- Bradley Burns Sales Tax Not Fully Recovered
 - High of \$16.5 million in 2004
 - Low of \$8.7 million - 2010
 - Projection for 2012 - \$9.9 million
- Proposition “D” District Sales Tax Stable
 - \$7 - \$9 million projection on target
- Outside funding sources are being reduced

National City Today

- Fiscal Impacts
 - Federal budget actions lead to a 21% reduction in CDBG program funding and a 55% reduction in HOME Investment Partnerships program funding for National City
- Future impacts uncertain due to dissolution of California redevelopment agencies
- National City continues to make significant strides to cut costs, become more efficient and enhance revenues in challenging times



Significant Accomplishments FY 2011-2012

Manuel Rodriguez

Significant Accomplishments FY 2011-12

- Reduction in Crime Rate
 - Violent crime down 13%
 - Property crime down 2%
 - Overall crime down 4%

(data based on 2011 statistics)
- Completion of Proposition “D” Independent Committee Sales Tax Report
 - Committee Recommendation was that National City continue its use of a one-cent sales tax increase approved by the voters in 2006



Significant Accomplishments

FY 2011-12

- Increased community partnerships with non-profit service providers by creating and maintaining activities that support the needs of National City families
- Increase daily average attendance at the Senior Nutrition Center (\$44,488 increase in grant funds)
- Additional \$2,235,107 in HOME program income and \$531,765 in CDBG program income was recovered
- Energy Retrofit Program achieved 6% more than estimated savings (\$129,343)



Significant Accomplishments

FY 2011-12

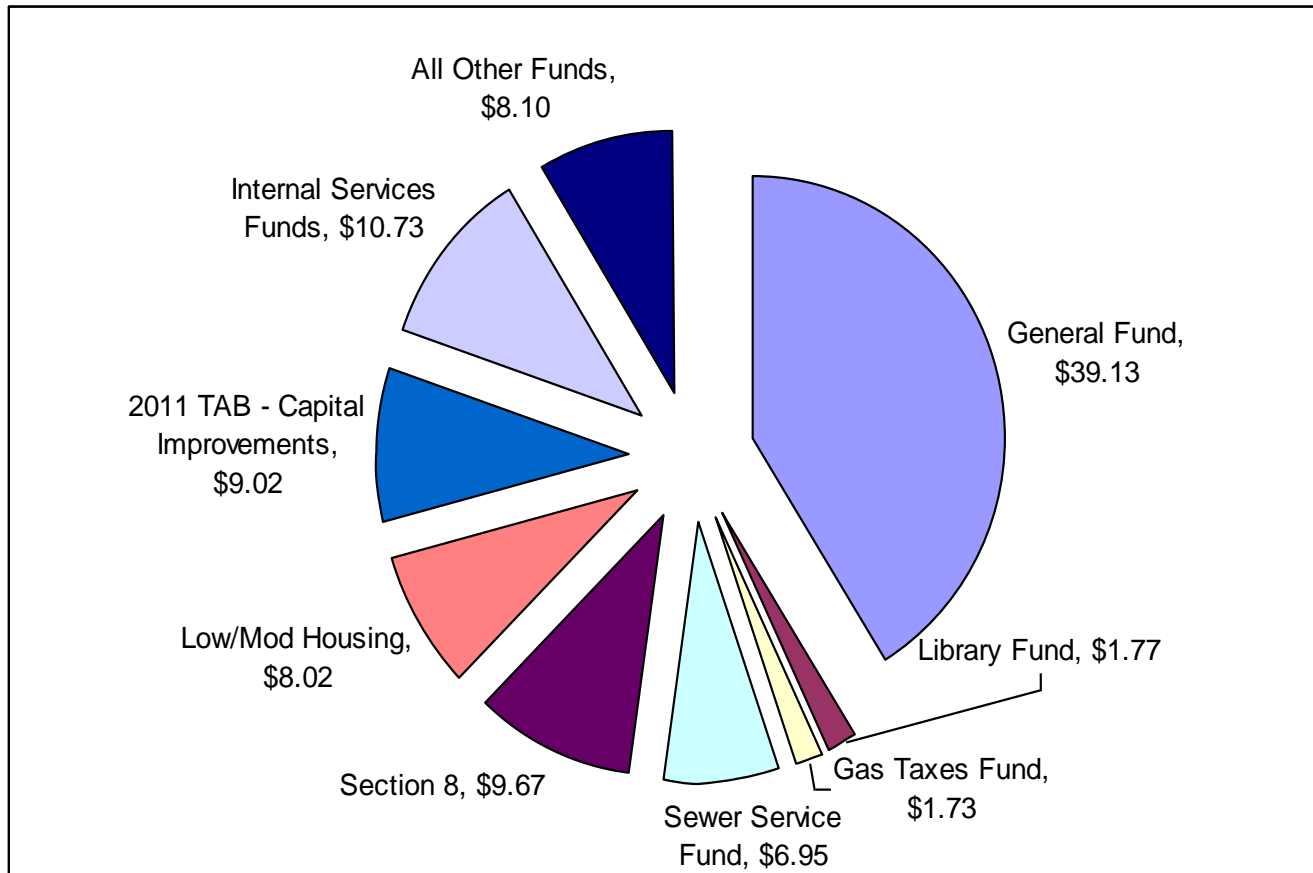
- Completion of El Toyon multi-use field
- Named an American Star Library by the Library Journal Index of Public Library Service for the third year in a row
- Housing & Grants, Section 8 named high performing agency by HUD
- Agreement with Chandler Asset Management and County of San Diego to provide Investment Management Services
- Effectively changed banks for City and CDC: transitioned from two separate banks to one



FY 2012-13 City Budget

Overall City Budget

- Total Expenditures by Fund - \$95.12M





FY 2012-13 General Fund Budget



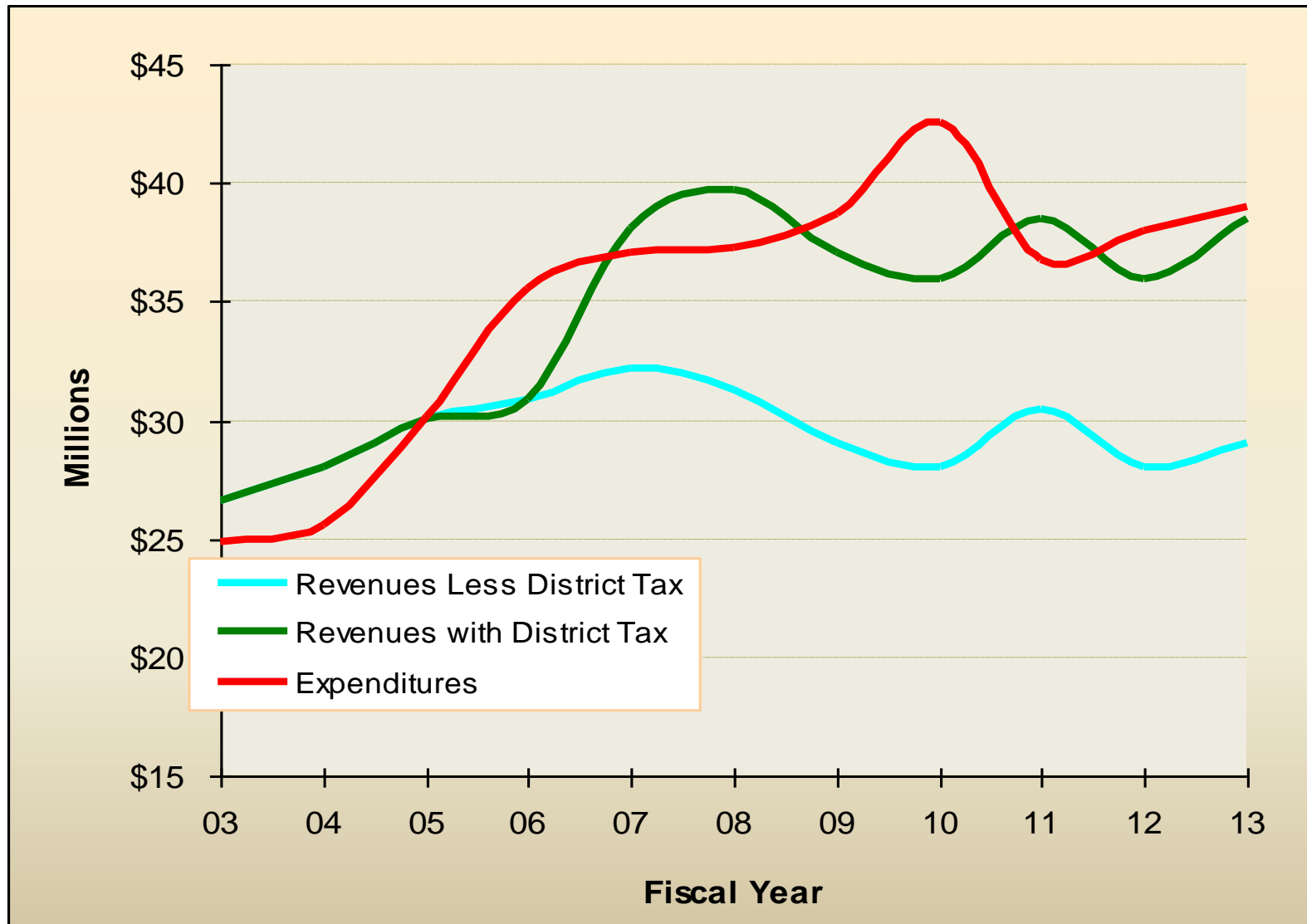
Preliminary FY 2012-13 General Fund Summary

| | |
|------------------------------------|---------------------|
| Estimated Revenue* | \$38,450,538 |
| Estimated Expenditure** | \$39,008,566 |
| <hr/> | |
| Estimated Surplus/(Deficit) | (\$558,028) |

*includes transfers in

**includes transfers out

General Fund Revenue and Expenditure Forecast





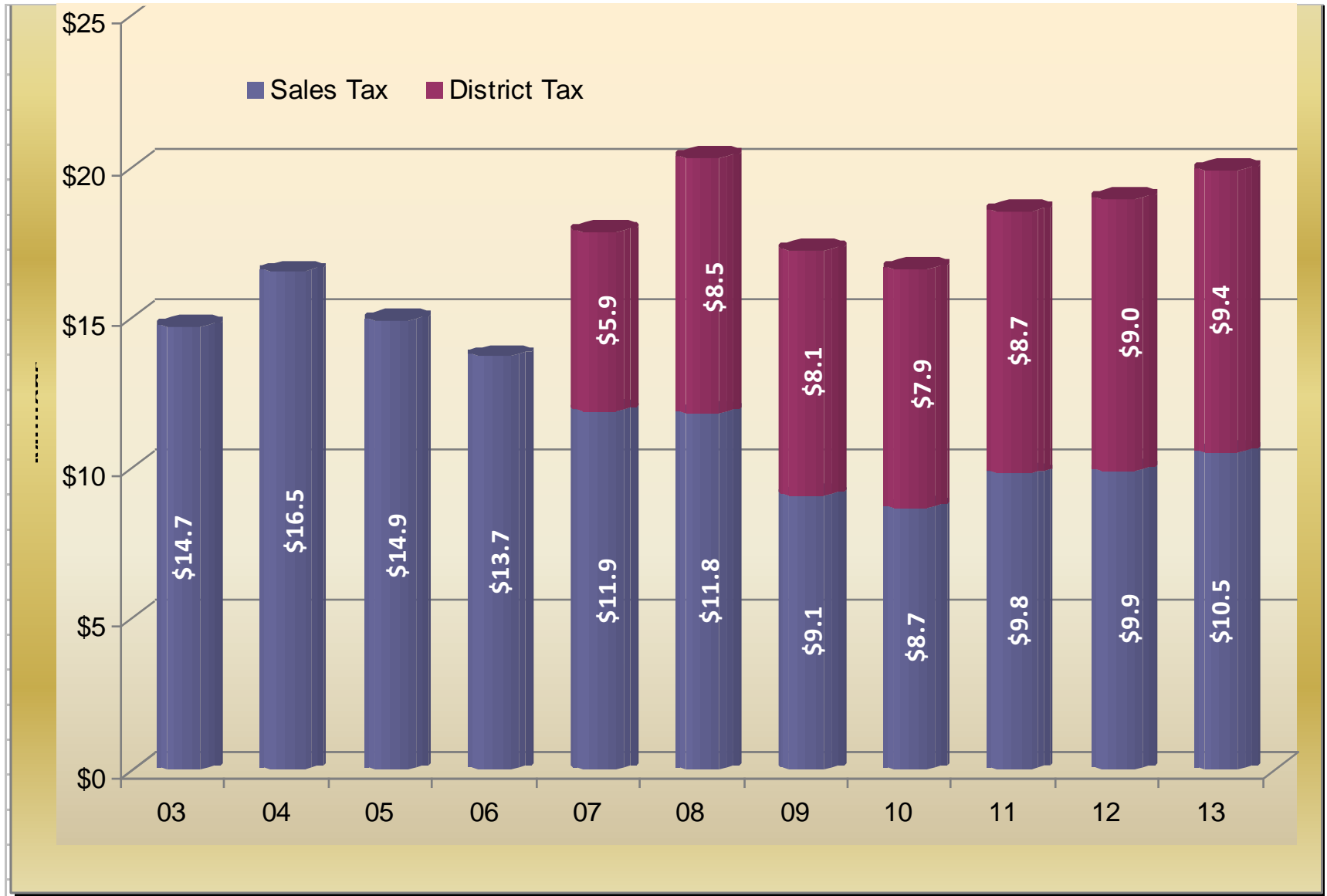
General Fund - Revenue

| | Projected Year- End Actual (2011-2012) | 2012-2013 Projection |
|------------------------------------------|-------------------------------------------------------|---------------------------------|
| Sales Tax | \$ 9,910,824 | \$ 10,567,101 |
| Prop D District Tax | \$ 9,052,000 | \$ 9,410,000 |
| Property Tax | \$ 1,508,472 | \$ 1,537,243 |
| Property Tax in Lieu of VLF | \$ 4,931,254 | \$ 4,931,260 |
| Property Tax in Lieu of Sales tax | \$ 3,403,217 | \$ 3,522,366 |
| Other Revenue | \$ 6,807,779 | \$ 8,482,568 |
| Total | \$ 35,613,546 | \$ 38,450,538 |

National City Sales Tax

- Bradley Burns Sales Tax revenues up 5.8 percent over same period last year
 - October through December 2011 sales
 - Sales tax revenue lags by approximately three months
- Auto sales, fuel and new businesses added to revenue flow
- Prop D District Sales Tax revenues up 2.4 percent over same period last year

Bradley Burns Sales Tax and District Sales Tax



General Fund - Expenditures

| | FY 2011-12 Adopted | FY 2012-13 Preliminary | Change |
|-------------------------------|-------------------------------|-----------------------------------|---------------|
| Personnel | \$25,772,224 | \$25,930,382 | \$158,158 |
| M & O | \$4,425,513 | \$3,883,736 | (\$541,777) |
| Capital | \$5,000 | \$690,000 | \$685,000 |
| Internal Charges | \$6,707,480 | \$6,467,389 | (\$240,091) |
| Transfers Out | \$1,430,884 | \$2,157,671 | \$726,787 |
| Total General Fund | \$38,341,101 | \$39,129,178 | \$788,077 |



Significant General Fund Impacts

| | |
|---------------------------------------|--------|
| Staffing absorbed from Tax Increment | \$1.5M |
| Fire Wellness Program | \$45k |
| City-wide Wellness Program | \$25k |
| Elections | \$35k |
| 125 th Anniversary Funding | \$15k |

General Fund Impacts

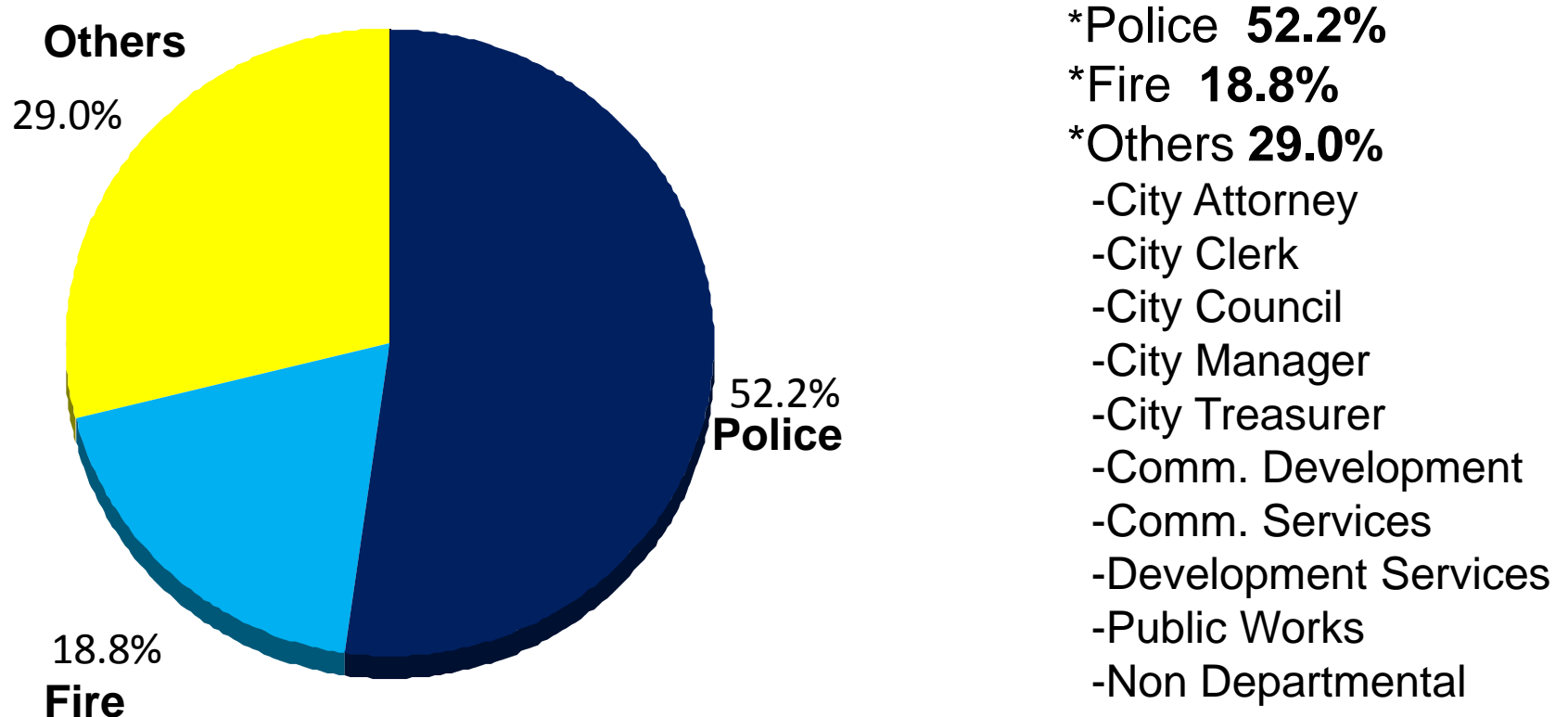
- Redevelopment
 - 17.95 FTE's previously funded by Tax Increment have been absorbed by the General Fund
 - Successor Agency administrative allowance allocated to cover percentage of salary for positions directly supporting Successor Agency. Funding for administrative allowance uncertain
 - Staff time for capital projects will be reimbursed
- Employee Benefits
 - Health care rates increased 4.2% (increase shared equally by employees and City)
 - Retirement costs: 0.288% increase for miscellaneous employees; 1.013% decrease for public safety employees
- Internal Service Charges Updated



Staffing Levels All Funds

| | FTEs |
|--------------|--------|
| FY 2011-2012 | 375.79 |
| FY 2012-2013 | 369.52 |
| Net Change | (6.27) |

General Fund Percentage of Expenditure by Department



General Fund Reserves

Beginning Fund Balance projected at \$13.5M

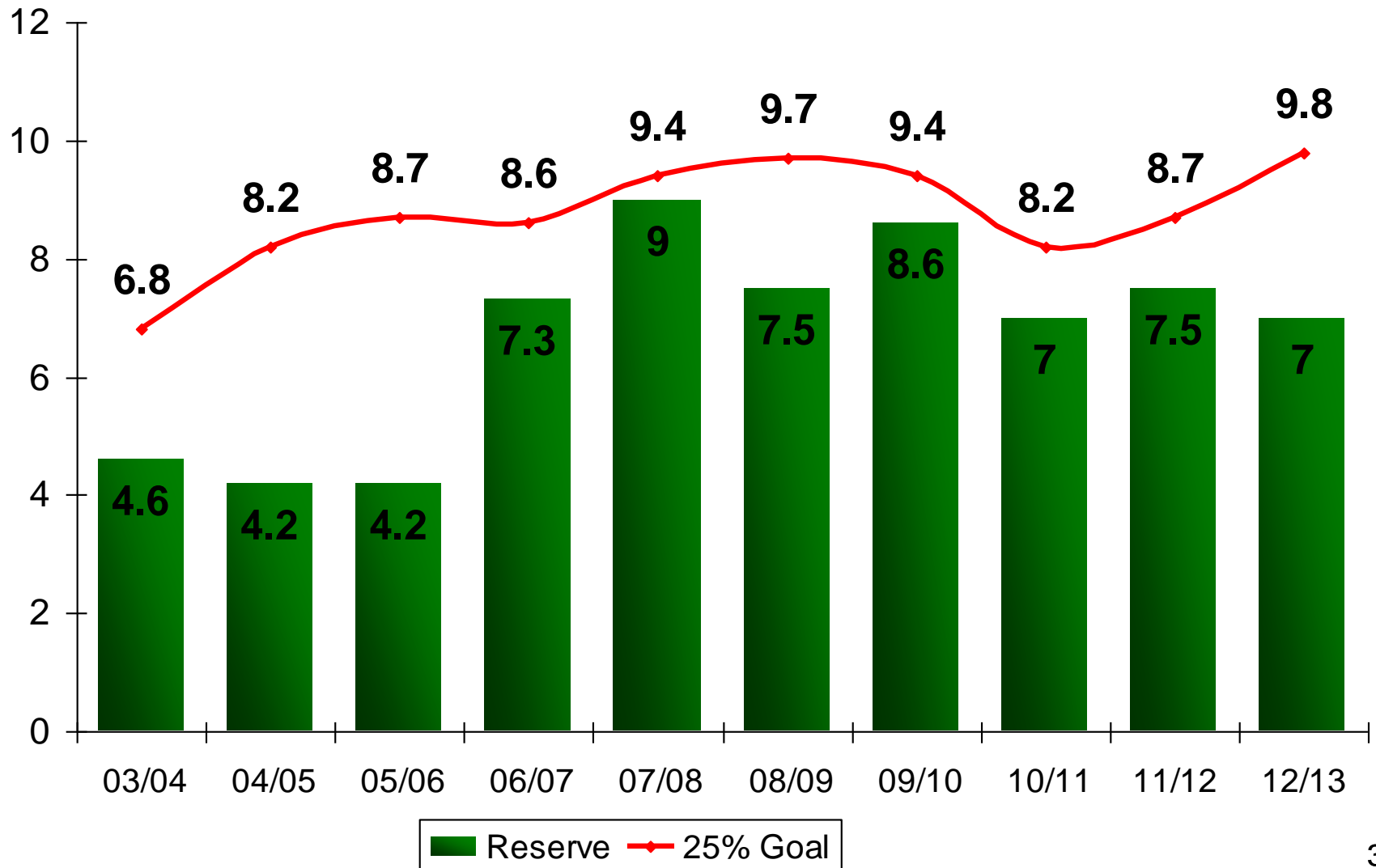
- Contingency Reserve / Undesignated Balance \$7,059,792
- Committed \$1,671,257
- Assigned \$4,829,800

General Fund Reserve Policy

General Fund Policy: ... *range between 25% and 50% of a single year's General Fund operating expenditures*

- FY 2012-13 estimated General Fund expenditures = \$ 39,129,178
 - Contingency Reserve projected at \$7M

General Fund Contingency Reserve





Reserve Policy

Reserve Fund Policy

- Council Policy 201, Maintenance of Reserve Funds
 - Contingency
 - General Fund
 - Gas Tax Fund
 - Sewer Service Fund
 - Liability Insurance
 - Workers' Compensation
 - Debt Service
 - Equipment Replacement Reserve

Reserve Fund Policy

- Council Policy 201, Maintenance of Reserve Funds
 - Equipment Replacement Reserve: “An amount equal to the accumulated depreciation of the replacement value of the motor vehicle fleet.”

| Current Fund Balance | Transfer in* | New Fund Balance |
|----------------------|--------------|------------------|
| \$ 242,080 | \$ 575,342 | \$ 817,422 |

*Transfer in is from the Motor Vehicle Service Fund



Capital Improvement Program and Bond Update

Capital Improvement Program

- Five-year Budgeting Process for Establishing Capital Priorities
 - Approximately \$120 million in capital needs identified over the 2011-2016 period
 - Housing projects were included in the CIP with a total of \$59 million in needs identified
 - Approximately 40 Capital Projects are currently “active” with approximately \$40 million in funds available
 - Funding sources for Capital Projects often have restrictions (scope, timeline for expenditures, etc.)

Capital Improvement Program

- Capital Priorities were Established through Criteria Based Evaluation, Community Input and Long-Range Planning
 - Key criteria considered: health & safety, project costs & funding, Community support, General Plan consistency, & on-going maintenance costs
 - General Plan Update was completed in 2011 and provided blueprint for public improvements throughout National City
 - Projects were also derived from other long-range planning efforts such as the City's Strategic Plan and Specific Area Plans

2011 Tax Allocation Bond

- CDC Sold Approximately \$40 million in Redevelopment Bonds in 2011
 - \$34 million available after issuance costs and reserves
 - \$15 million for Housing and \$19 million for Capital Improvements
 - Provides major funding for CIP, but is restricted to Redevelopment Project Area
- Proceeds must be Committed within 3 Years

2011 Tax Allocation Bond Projects

- Housing
 - WI-TOD (Westside Infill Transit Oriented Development)
 - Phase I: 109 homes for deserving families; new neighborhood park with active and passive recreation to compliment Paradise Creek
 - Phase II: 92 homes for deserving families
 - Project requires relocation of Public Works
- Economic Development
 - SR-54 Gateway Project (Derr/Sudberry Development)
- Quality of Life Facilities, Parks & Recreation
 - Kimball Park Improvements
 - Las Palmas Park Improvements
 - Aquatic Center

2011 Tax Allocation Bond Projects

- Community Corridors
 - 8th Street Smart Growth Revitalization
(Harbor Drive to Highland Avenue)
 - 8th Street Safety Enhancements
(Highland Avenue to Palm Avenue)
 - Highland Avenue Safety Enhancements
(Division Street to 8th Street)
 - Coolidge Ave Community Corridor
(Plaza Boulevard to 18th Street)
 - D Avenue Community Corridor / Roundabout (12th Street)
(Division Street to 30th Street)
 - 4th Street Community Corridor
(Roosevelt Avenue to Harbison Avenue)

2011 Tax Allocation Bond Projects

| Capital Improvement Projects 2011 Tax Allocation Bond (TAB) Spending Plan Fiscal Year 2012-2016 | Budget FY 11-12 | Budget FY 12-13 | Budget FY 13-14 | Budget FY 14-15 | Budget FY 15-16 | Total |
|----------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|-------------------|
| Westside Infill Transit Oriented Development (WI-TOD) | 15,000,000 | | | | | 15,000,000 |
| Kimball Park Improvements | 630,000 | 2,500,000 | | | | 3,130,000 |
| Las Palmas Park Improvements | 1,400,000 | 4,785,000 | | | | 6,185,000 |
| Aquatic Center | 3,500,000 | | | | | 3,500,000 |
| 8th Street Smart Growth Revitalization | 1,300,000 | 1,000,000 | | | | 2,300,000 |
| 8th Street Safety Enhancements | 430,000 | | | | | 430,000 |
| Highland Avenue Safety Improvements | 400,000 | 450,000 | | | | 850,000 |
| Coolidge Avenue Community Corridor | 970,000 | 283,663 | | | | 1,253,663 |
| D Avenue Community Corridor - Roundabout | 600,000 | | | | | 600,000 |
| 4th Street Community Corridor | 400,000 | | | | | 400,000 |
| Port Park | 300,000 | | | | | 300,000 |
| Totals | 24,930,000 | 9,018,663 | 0 | 0 | 0 | 33,948,663 |

Overall Project Budget Estimate

LOCAL

- \$15 Million 2011 Tax Allocation Bond (Housing)
- \$10 Million Low-Mod Fund Balance
- \$2 Million HOME Grant
- \$500k State Catalyst Grant
- \$500k Federal EPA

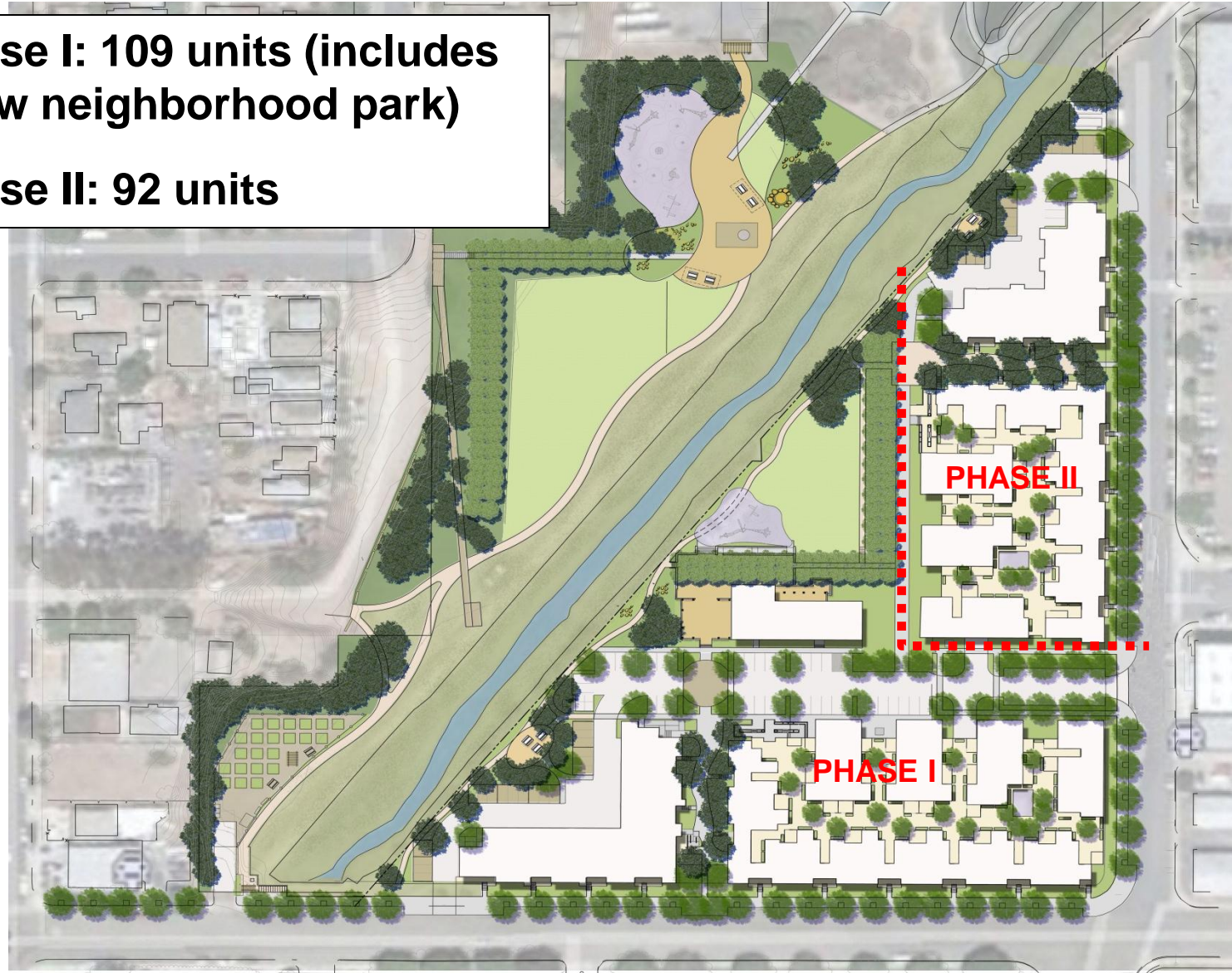
PARTNER

- \$8.6 Million State Prop 1C Grant (\$4.6/\$4)
- \$31 Million Tax Credits/Bank Loan (\$17/\$14)

WI-TOD

**Phase I: 109 units (includes
new neighborhood park)**

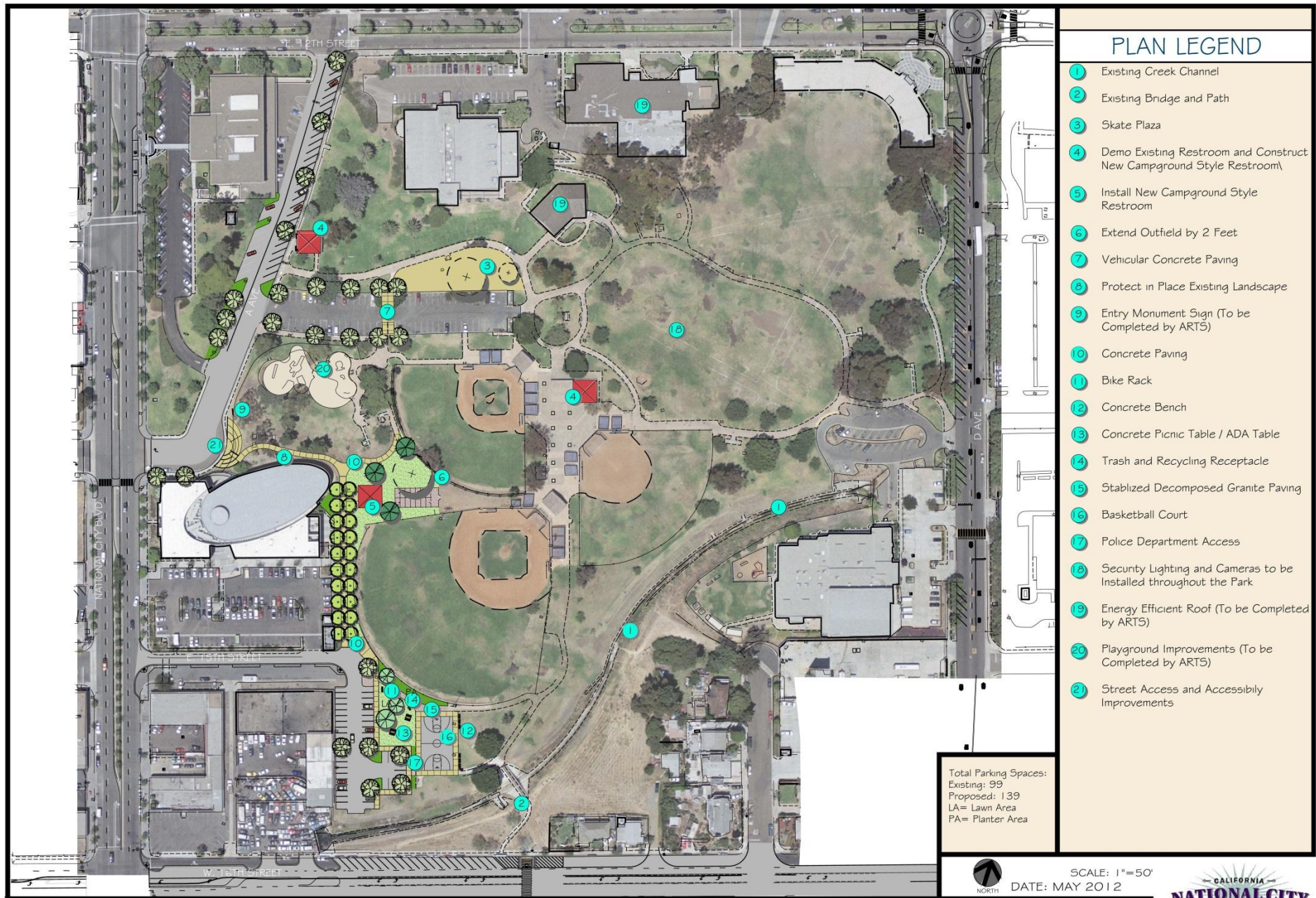
Phase II: 92 units



Kimball Park Improvements

Overall Project Budget Estimate

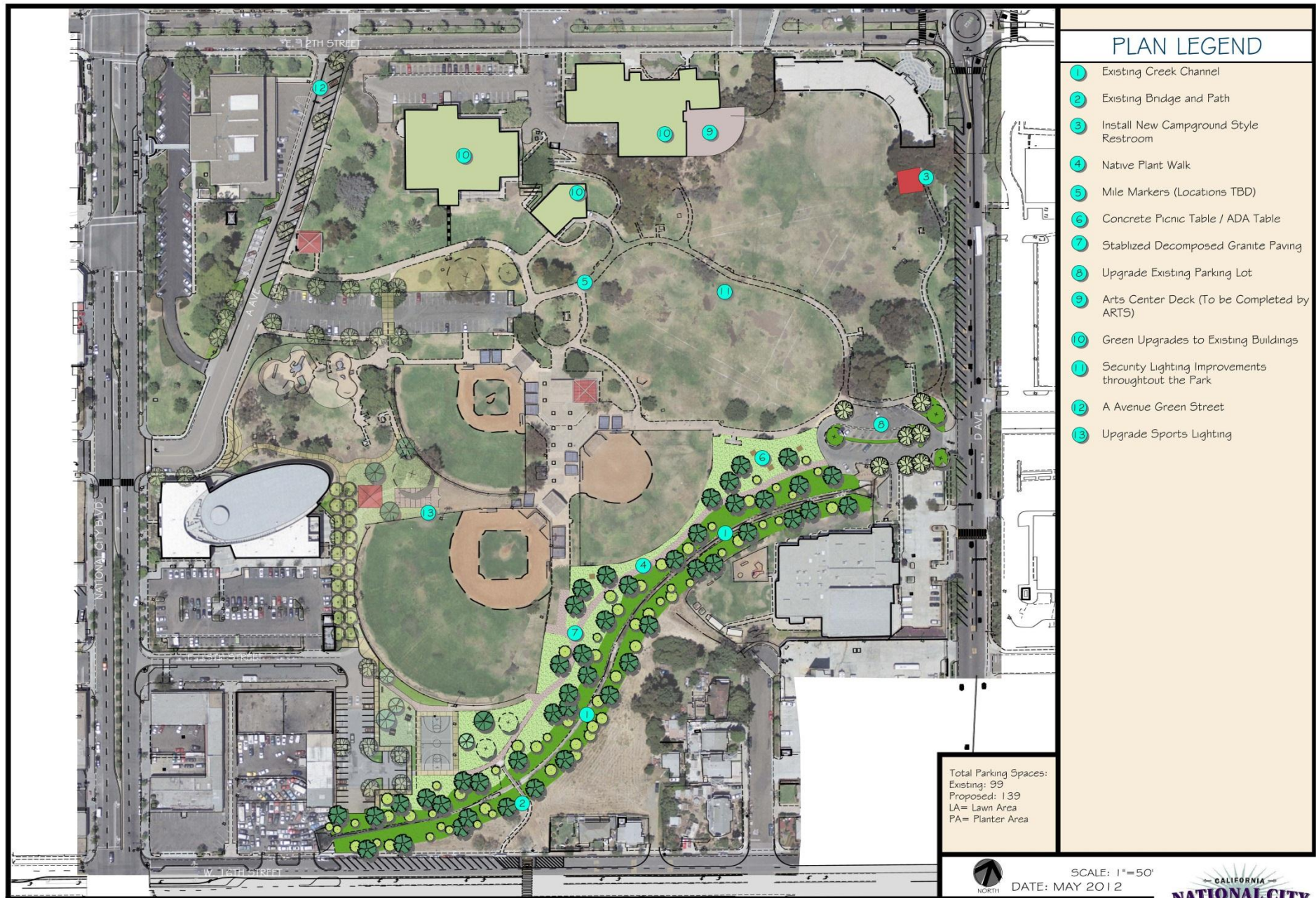
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|----------------|-------------------------------------------------------|
| •\$3.1 million | 2011 Tax Allocation Bond (Capital) |
| <hr/> | |
| •\$2.5 million | Phase I (includes \$500,000 “Challenge Grant” - ARTS) |
| •\$600k | Phase II |



KIMBALL PARK CONCEPT PLAN- PHASE I IMPROVEMENTS

NATIONAL CITY, CALIFORNIA





KIMBALL PARK CONCEPT PLAN- PHASE II IMPROVEMENTS

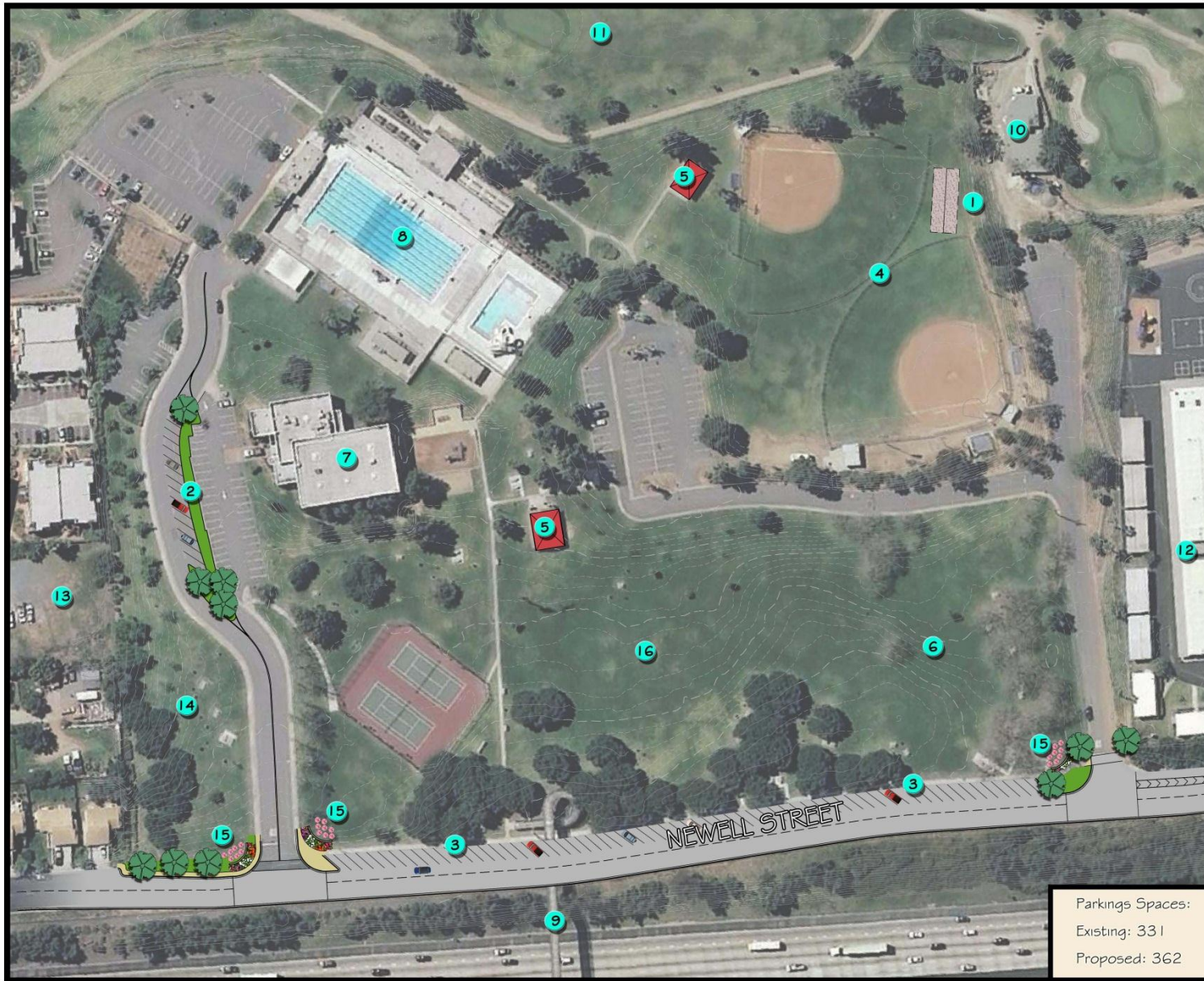
NATIONAL CITY, CALIFORNIA



Las Palmas Park Improvements

Overall Project Budget Estimate

| | |
|----------------|------------------------------------|
| •\$6.2 million | 2011 Tax Allocation Bond (Capital) |
| <hr/> | |
| •\$1.2 million | Phase I |
| •\$5 million | Phase II “Challenge Grant” - YMCA |



PLAN LEGEND

- 1 Batting Cages
- 2 Expanded Existing Parking Lot
- 3 Additional Street Parking
- 4 Existing Ball Fields
- 5 Demo Existing Restroom and Construct New Campground Style Restroom
- 6 Existing Open Spaces
- 7 Camacho Gym Upgrades
- 8 Existing Pool Facility Upgrades
- 9 Existing Pedestrian Bridge
- 10 Existing Golf Course Maintenance
- 11 Existing Golf Course
- 12 Existing School
- 13 Existing Residential Neighborhood
- 14 Existing Picnic Tables
- 15 Entry Signage (Completed by ARTS)
- 16 Existing Electrical System Upgrades Throughout Park

Parkings Spaces:
Existing: 331
Proposed: 362



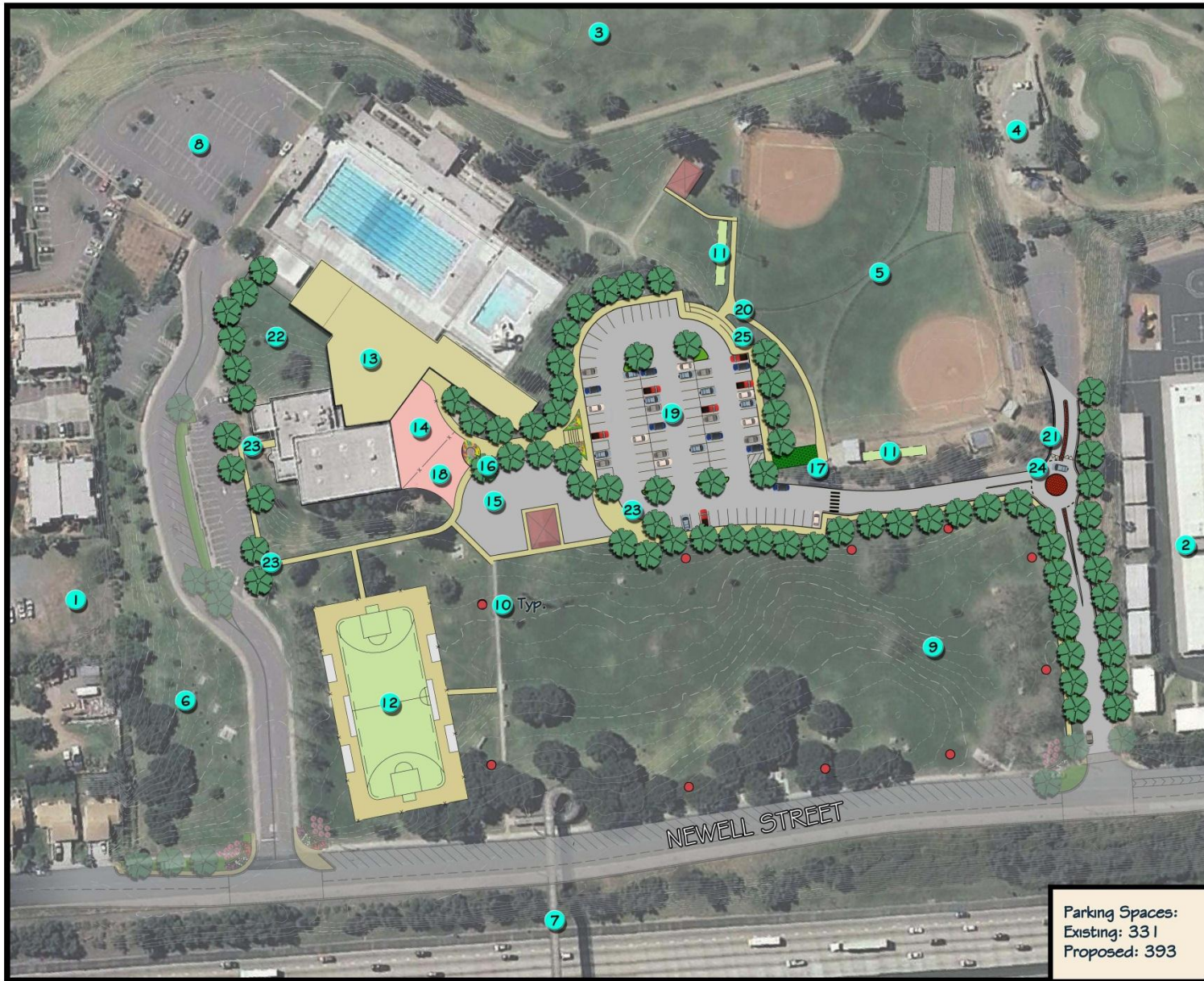
SCALE: 1" = 40'
DATE: MAY 2012



NATIONAL CITY, CALIFORNIA

LAS PALMAS PARK

CONCEPT PLAN - PHASE I IMPROVEMENTS



PLAN LEGEND

- 1 Existing Residential Neighborhood
- 2 Existing School
- 3 Existing Golf Course
- 4 Existing Golf Course Maintenance
- 5 Existing Ball Fields
- 6 Existing Picnic Tables
- 7 Existing Pedestrian Bridge
- 8 Existing Parking Lot
- 9 Existing/ Outdoor Open Space
- 10 I O Station Par Course
- 11 Bull Pen Areas
- 12 Speed Soccer Field (fenced)
- 13 YMCA Building
- 14 YMCA Playground (fenced)
- 15 Skate Park (12,300 SF)
- 16 YMCA Art/Entry Feature
- 17 Grass Paver Vehicular Access
- 18 Public Playground
- 19 Upgraded Existing Parking Lot
- 20 Retaining Wall
- 21 Vehicle Access Control Gate
- 22 YMCA Program Activity Space (fenced)
- 23 Passenger Drop-off
- 24 Interior Traffic Circle
- 25 ADA Ramp to Ballfield

Parking Spaces:
Existing: 331
Proposed: 393



SCALE: 1" = 40'
DATE: MAY 2012



LAS PALMAS PARK

CONCEPT PLAN - PHASE II IMPROVEMENTS

NATIONAL CITY, CALIFORNIA

Aquatic Center

Overall Project Budget Estimate

| | |
|----------------|------------------------------------|
| •\$3.5 million | 2011 Tax Allocation Bond (Capital) |
| •\$830k | Port Grant |
| •\$150k | County Grant |

| | |
|-------------------------------|---------------------|
| • <i>\$4.5 million</i> | <i>Total</i> |
|-------------------------------|---------------------|



8th Street Corridor Smart Growth Revitalization

Overall Project Budget Estimate

| | |
|----------------|----------------------------------------|
| •\$2.3 million | 2011 Tax Allocation Bond (Capital) |
| •\$2 million | Sewer Fund |
| •\$2 million | CPUC Rule 20A - Utility Undergrounding |
| •\$2 million | SGIP Grant |
| •\$450k | SR2S Grant |
| •\$200k | Gas Tax |
| •\$200k | Prop A TransNet |

| | |
|------------------------|--------------|
| • \$9.2 million | Total |
|------------------------|--------------|

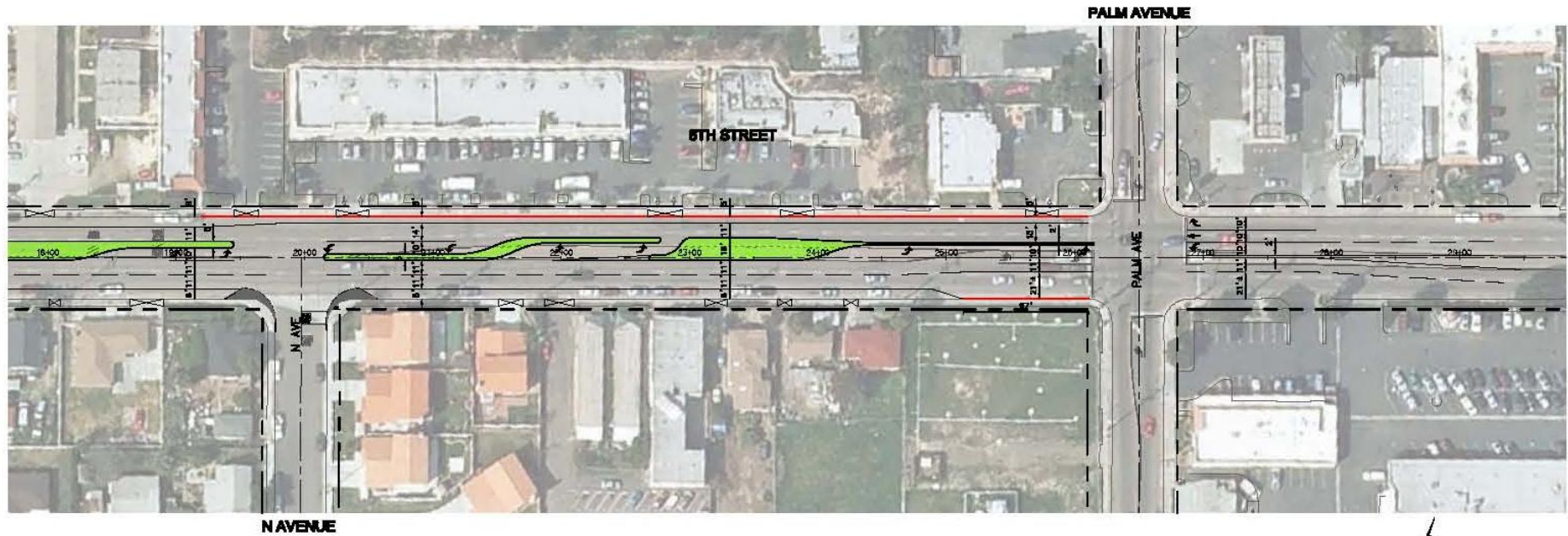
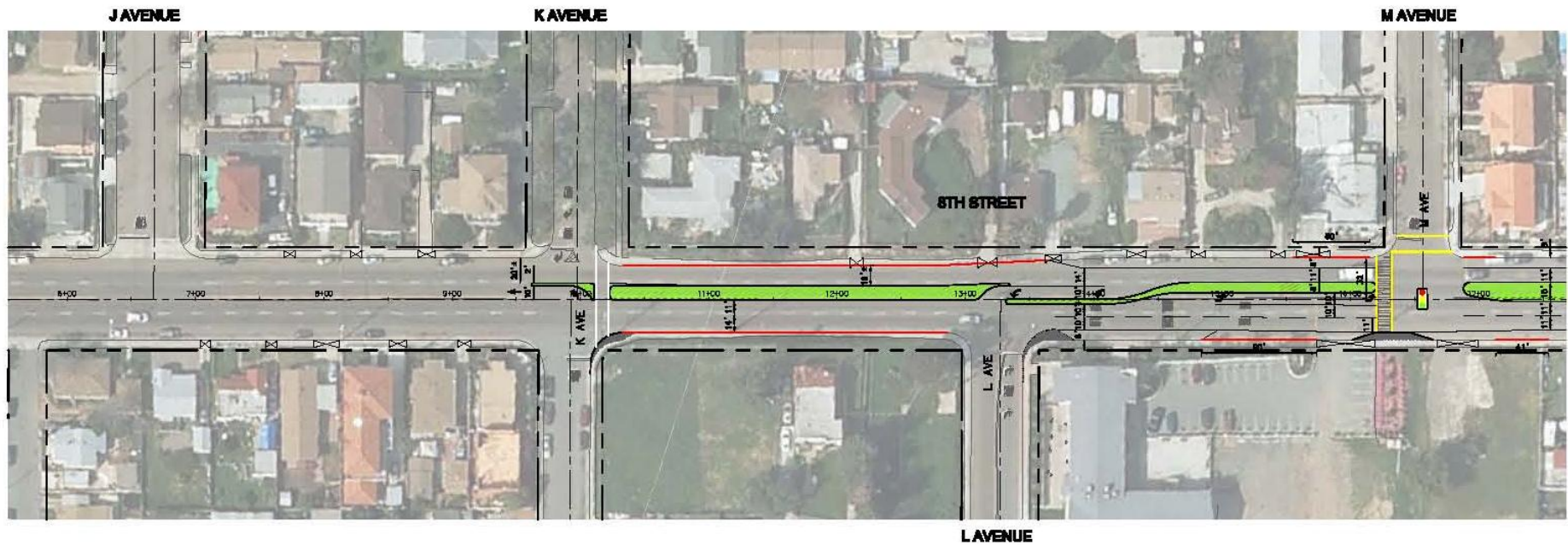


8th Street Corridor Safety Enhancements

Overall Project Budget Estimate

| | |
|---------|------------------------------------|
| •\$430k | 2011 Tax Allocation Bond (Capital) |
| •\$900k | HSIP Grant |
| •\$50k | Gas Tax |
| •\$200k | Prop A TransNet |

| | |
|-------------------------------|---------------------|
| • <i>\$1.6 million</i> | <i>Total</i> |
|-------------------------------|---------------------|

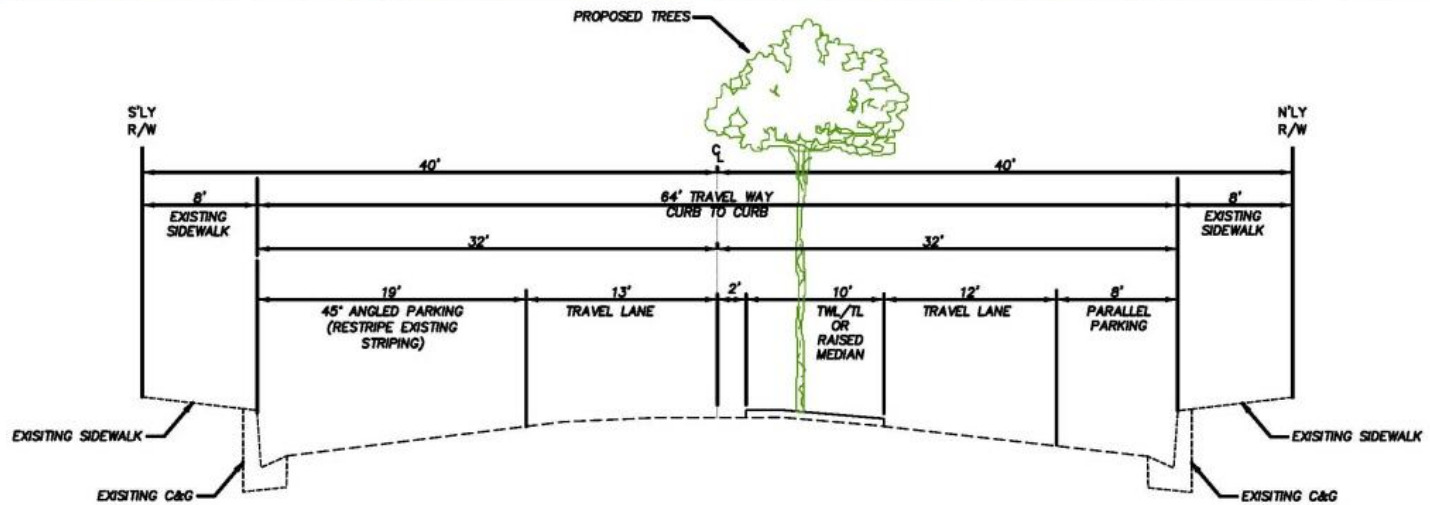
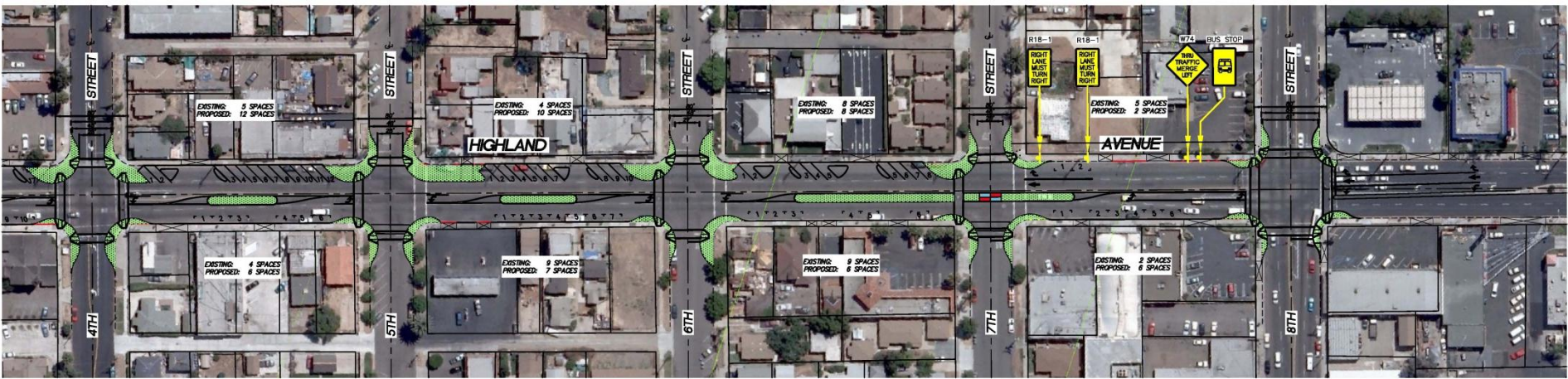
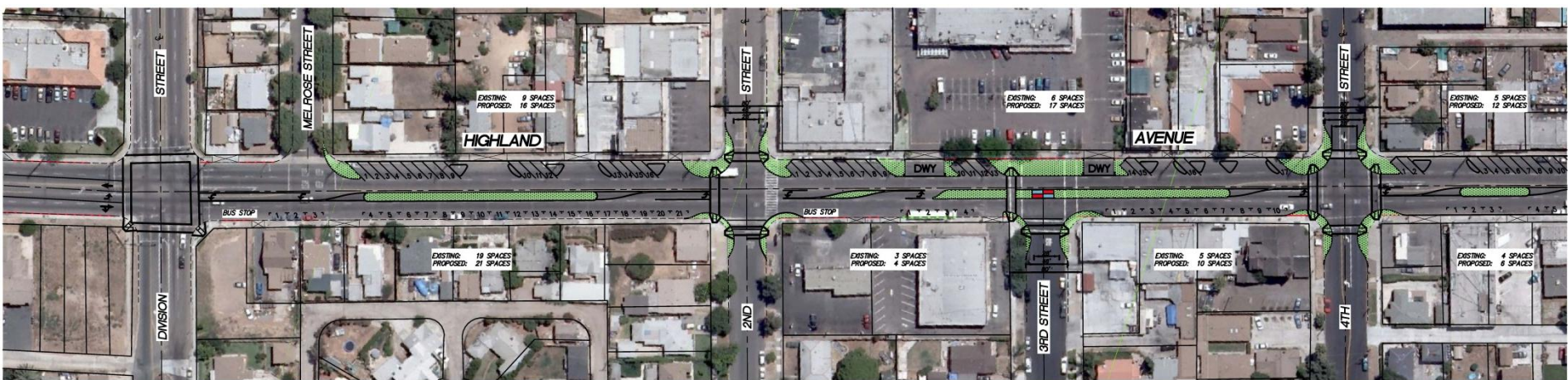


Highland Avenue Safety Enhancements

Overall Project Budget Estimate

| | |
|---------|------------------------------------|
| •\$850k | 2011 Tax Allocation Bond (Capital) |
| •\$900k | HSIP Grant |
| •\$170k | Gas Tax |
| •\$500k | Prop A TransNet |

| | |
|-------------------------------|---------------------|
| • <i>\$2.4 million</i> | <i>Total</i> |
|-------------------------------|---------------------|

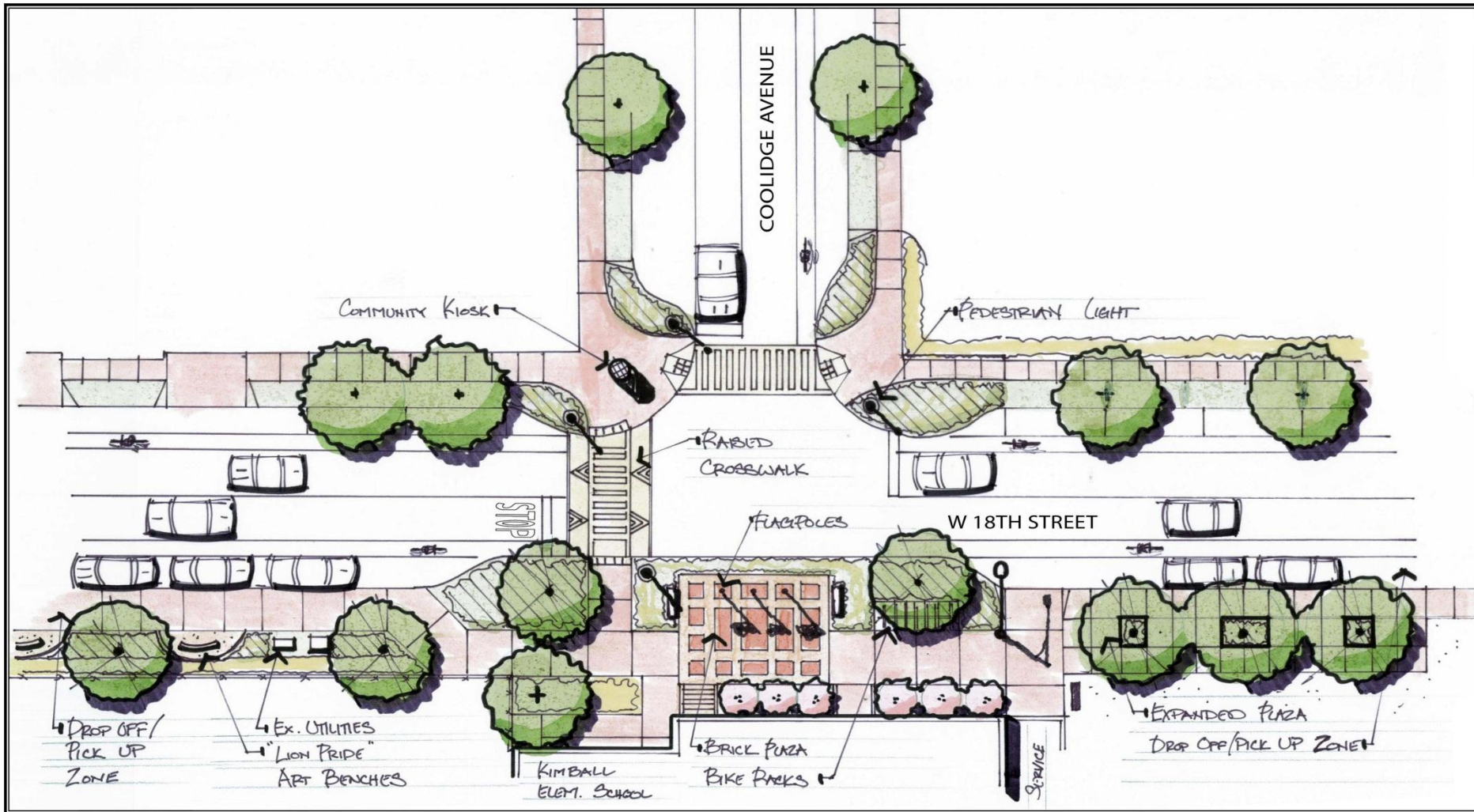


Coolidge Avenue Community Corridor

Overall Project Budget Estimate

| | |
|----------------|------------------------------------|
| •\$1.2 million | 2011 Tax Allocation Bond (Capital) |
| •\$730k | SR2S Grant |
| •\$50k | Gas Tax |
| •\$70k | Prop A TransNet |

| | |
|-----------------------------|---------------------|
| • <i>\$2 million</i> | <i>Total</i> |
|-----------------------------|---------------------|



COOLIDGE AVENUE

KIMBALL ELEMENTARY SCHOOL CONCEPT PLAN



D Avenue Community Corridor / Roundabout

Overall Project Budget Estimate

- | | |
|---------|------------------------------------|
| •\$600k | 2011 Tax Allocation Bond (Capital) |
| •\$500k | SR2S Grant |

| | |
|-------------------------------|---------------------|
| • <i>\$1.1 million</i> | <i>Total</i> |
|-------------------------------|---------------------|



4th Street Community Corridor

Overall Project Budget Estimate

| | |
|---------|------------------------------------|
| •\$400k | 2011 Tax Allocation Bond (Capital) |
| •\$355k | BTA Grant |
| •\$245k | CDBG Grant |
| •\$200k | Prop A TransNet |

| | |
|-------------------------------|---------------------|
| • <i>\$1.2 million</i> | <i>Total</i> |
|-------------------------------|---------------------|

| 4th Street Community Corridor Bikeway | Recommendations |
|---------------------------------------------------------|------------------------|
|---------------------------------------------------------|------------------------|

Bike lanes and traffic calming are proposed on 4th Street from Roosevelt Avenue to Harbison Avenue. 4th Street is a wide two lane east-west collector street with on-street parallel parking. The speed limit on 4th Street is 35 mph and the average daily traffic is between 5,000 and 10,000. The existing curb-to-curb width west of Palm Avenue is 48' feet and varies between 52' and 64' east of Palm Avenue. The wide roadway widths can accommodate bike lanes throughout the corridor without impacting existing parallel parking. Bike lanes and traffic calming measures are proposed along the corridor to improve bicycle connectivity to destinations including El Toyon Park, Paradise Valley Hospital, the new Senior Housing development, and San Diego Academy.

- 2 miles of Class II Bike Lanes
- Bicycle loop detectors at all signalized intersections
- Curb Extensions with high visibility crosswalks



| Design Treatment: Curb Extension | Design Guidelines & Standards |
|-----------------------------------------|------------------------------------------|
|-----------------------------------------|------------------------------------------|



Curb extensions reduce the distance of pedestrian crossings by extending the sidewalk out to align with the edge of the parking lane. Placed at intersections or at mid-block crosswalk locations, curb extensions and high-visibility crosswalks both calm traffic and also increase the visibility of pedestrians waiting to cross the street. Curb extensions should only extend across the parking lane and not obstruct bicyclists' path of travel or the travel lane.

- Bike Lane Adjacent to On-Street Parallel Parking 1.3.11
- Bicycle Signal Actuation 1.3.2.1
- Road Diet Parking Reduction 1.3.3.3
- On-Street Bikeway Signage 3.1.2



FY 2012-13 Recommended CIP Project Appropriations

Fund 001 – General Fund (reimbursable)

| | |
|----------------------------|-----------|
| Kimball Tower Rehab (1593) | \$465,000 |
| Morgan Tower Rehab (1594) | \$225,000 |

Fund 108 – Library Capital Outlay

| | |
|--------------------------|-----------|
| New Library Rehab (1590) | \$150,000 |
|--------------------------|-----------|

Fund 109 – Gas Tax

| | |
|---------------------------|-----------|
| Traffic Monitoring (6573) | \$200,000 |
|---------------------------|-----------|

Fund 189 – Civic Center Refurbishing

| | |
|-----------------------------------|-----------|
| Chiller Project (Air Side) (1591) | \$100,000 |
|-----------------------------------|-----------|

Fund 301 – CDBG

| | |
|------------------------------|-----------|
| Concrete Improvements (6137) | \$220,657 |
|------------------------------|-----------|



FY 2012-13 Recommended CIP Project Appropriations (continued)

Fund 307 – Proposition A

| | |
|-------------------------------------|-----------|
| Street Resurfacing (6035) | \$520,000 |
| Traffic Signal Upgrades (6558) | \$50,000 |
| Plaza Boulevard Improvements (6569) | \$200,000 |

Fund 522 – Low Mod

| | |
|-----------------------|-------------|
| WI-TOD Phase I (1592) | \$8,000,000 |
|-----------------------|-------------|

Fund 524 – 2011 TAB (Capital Improvements)

| | |
|----------------------------------------------|-------------|
| 8 th Street Revitalization (3918) | \$1,000,000 |
| Kimball Park Improvements (4132) | \$2,500,000 |
| Las Palmas Park Improvements (4133) | \$4,785,000 |
| Highland Avenue Improvements (6170) | \$450,000 |
| Coolidge Avenue Improvements (6173) | \$283,663 |

Total CIP (FY 2012-13) ***\$19,349,320***



Successor Agency to the Community Development Commission as the National City Redevelopment Agency

Brad Raulston & Claudia Silva

Background

- ABx 1 26 was upheld by the Supreme Court in December, 2011
- Redevelopment agencies were dissolved effective February 1, 2012, activating the Successor Agency
- The Oversight Board held its first meeting on April 10 and On May 2, the Oversight Board approved the Recognized Obligations Payment Schedules (ROPS) I and II for the periods January 1, 2012 thru June 30, 2012; and July 1, 2012 thru December 31, 2012
- Legislative Updates on ABx 1 26



Redevelopment Impacts

Previously funded by Tax Increment

Included in Preliminary General Fund Budget

- Personnel costs (\$1.2M)
- Enterprise Zone (\$51k)
- Graffiti Program

Currently not Included in Preliminary General Fund Budget (will seek Council direction)

- South County Economic Development Council (\$5k)
- Economic Development Programs with Chamber (\$50k)
- Amortization Implementation (\$25-\$50k)
- Property Management for CDC Assets (\$100k+)

Unfunded Administrative Costs

Unspent Bond Proceeds



Preview of Fiscal Year 2013-2014

Forecast

- Uncertainty with Federal Community Development Block Grant (CDBG) Funding
 - During past two years, \$1B in federal cuts to CDBG program with additional cuts to HOME
 - The President's proposed budget includes a slight increase to CDBG and a maintenance of HOME funds
- Uncertainty with State Budget
 - Proposed Post-RDA Budget Concerns
- Retirement cost increases
 - PERS lowered the discount rate from 7.75% to 7.5%. Miscellaneous rates will increase by 1% to 2%, safety rates will increase by 3% to 4% (two year phase in)

Forecast

- Water Rates
 - Metropolitan Water District is anticipated to raise rates by 5% in both 2013 and 2014
- Fire Dispatch
 - If San Miguel leaves to Cal Fire, the City could see a rate increase of \$55,000 in Heartland Dispatch fees
- Cost Allocation Study
 - Impact on fees
 - Full cost recovery



Next Steps

Budget Calendar - Next Steps

- May 22: Preliminary budget report
- May 23: Begin finalizing budget documents
- June 19: Adoption of the FY 2012-2013 budgets for the City and the Successor Agency
- June 19: Management Compensation Plan
- Quarterly updates
- January/February 2013: Mid-Year Budget Review and Strategic Planning

Going Forward – FY 2012-13

Budget Process

- Staff will closely monitor budget and update Council on budgetary goals on a quarterly basis
- Staff may recommend revisions to budget at January 2013 mid-year budget review
- If budget assumptions are NOT met, there are 3 options:
 - Use additional contingency reserves, or
 - Service reductions; or
 - Combination of both

Strategic Planning – Next Steps

- 5-year Strategic Plan
 - Community Services
 - Sustaining Quality of Life Facilities
 - YMCA Challenge Grant
 - ARTS Challenge Grant
 - Information Technology
 - Public Works
 - Fleet Replacement and Maintenance
 - Parks and Facilities
 - Streets, Sewer, and Stormwater



Closing Comments

City Manager's Closing Comments

- Significant strides made by all City departments to cut costs, become more efficient and enhance revenues
- The deficit is being addressed through a combination of employee concessions, managed attrition, slightly improved revenues and one-time fixes. New revenue streams are needed
- The impacts of dissolution of the redevelopment agency will continue to unfold over the course of the fiscal year

City Manager's Closing Comments

- City will remain committed to building partnerships with the community, local businesses and regional partners
- City will continue to streamline the way we do business and better align the functions of city departments
- Strategic Organizational Efficiencies
 - 5 Departments (Police, Fire, Engineering, Community Services, Administrative Services)
- Employee Participation
 - Gatekeeper Mechanisms/CARE Committee
 - Pension
 - Furlough

City Manager's Closing Comments

- No forced employee reductions anticipated
- Core City programs will remain intact however service levels may be impacted
- Budget Committee: Brad Raulston, Stacey Stevenson, Tina Norrdin, Janel Pehau, Suzanne Wellcome, Teresa Mendoza, Steve Manganiello, Barby Tipton

City Manager Recommendations

- Continue efforts to balance the budget
- Use General Fund unassigned fund balance to close the projected General Fund gap, if needed (currently projected at \$558,028)
- Programs recommended for GF funding
 - Employee Wellness Programs
 - 125th Anniversary
- Former TI expenditures currently not included in Preliminary General Fund Budget
 - Economic Development
 - South County Economic Development Council
 - Chamber of Commerce
 - Property Management for CDC Assets
 - Amortization Implementation



Community Input & Comments



City Council Comments & Direction

City Manager Recommendations & City Council Direction

- Continue efforts to balance the budget
- Use General Fund unassigned fund balance to close the projected General Fund gap, if needed (currently projected at \$558,028)
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